

# **EXHIBIT E**

# Hedge Fund Salary Guide

Overview of compensation in hedge funds management

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**Hedge funds** are actively managed pooled investment vehicles whose managers use sophisticated techniques such as short-selling and **derivatives** to trade, construct portfolios, and manage risk to achieve above-market returns. They are

generally considered risky by investors due to the choice of techniques and instruments and fall under the "[alternative investments](#)" category.

### What is a Hedge Fund?

A hedge fund is **a pooled investment** vehicle that deals in relatively liquid assets and has access to a variety of more sophisticated trading, **portfolio-building**, and **risk management** strategies.



Due to the availability of a wide array of sophisticated financial instruments and portfolio management techniques, their risk exposures, strategies, and return profiles can significantly vary from each other. Although investors perceive them as a risky asset class due to the complex techniques employed, sometimes the volatility of their expected returns can be less than that of retail funds due to [hedging](#).

Professionals working at hedge funds need to be capable of representing real-life investment opportunities in a structured format, weighing risk and return, estimating value, and conveying information. Further, they need to thoroughly understand the financial markets and various complex financial instruments to optimize asset allocation. Hence, financial modeling and a deep understanding of the financial markets are paramount to building a successful career in the hedge fund industry.

The investment community mainly sorts hedge funds into a few major categories depending on their strategy, such as relative value, event-driven, directional, and global macro, each of which implies a different risk-return profile.

"Yes, yes. I've already done my research on those things. But I can't seem to find how much the hedge fund industry pays."

We hear you. So, here is a summary of what you can expect to make performing different roles at various levels at a hedge fund. Fret not, as we discuss each of these roles (and some more) in detail below.

Role	Base Salary	Average Bonus (% of Base)
Execution Trader	\$80,000 - \$100,000	30% - 50%
Junior Analyst	\$70,000 - \$100,000	25% - 50% or more
Analyst	\$100,000 - \$150,000	50%+
Senior Analyst	\$150,000 - \$250,000	70%+
Portfolio Manager	\$200,000 - \$250,000	70%+

### Hedge Fund Pay Guide Summary

Besides the market averages listed above, WSO user [@rumplestiltskin](#), a Portfolio Manager at a hedge fund, provided a different perspective by categorizing titles into dollar brackets based on their personal experience at their fund (tabulated for you below).

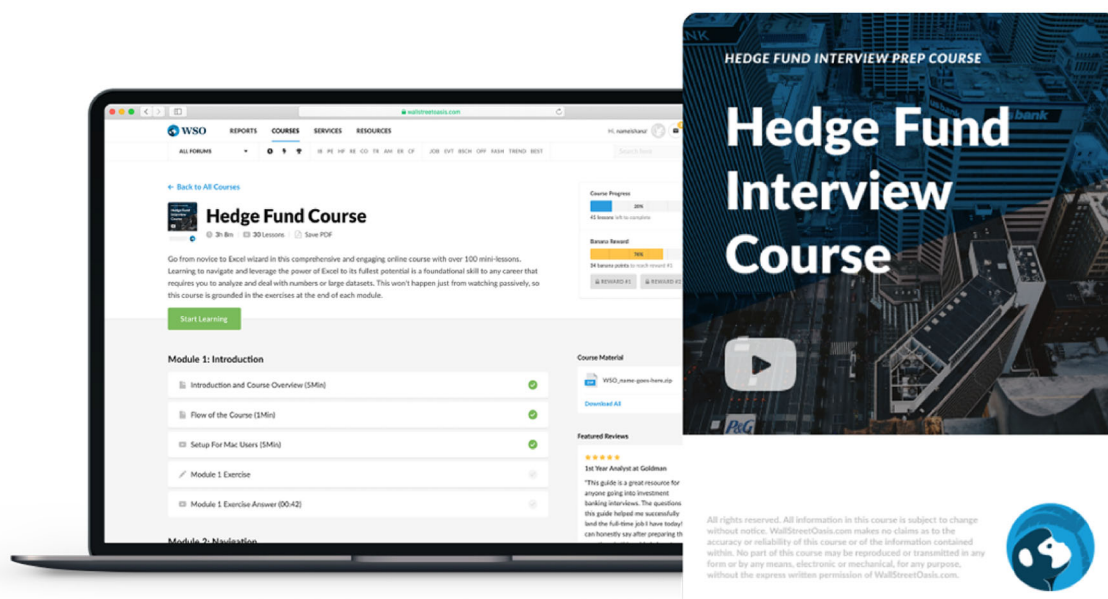
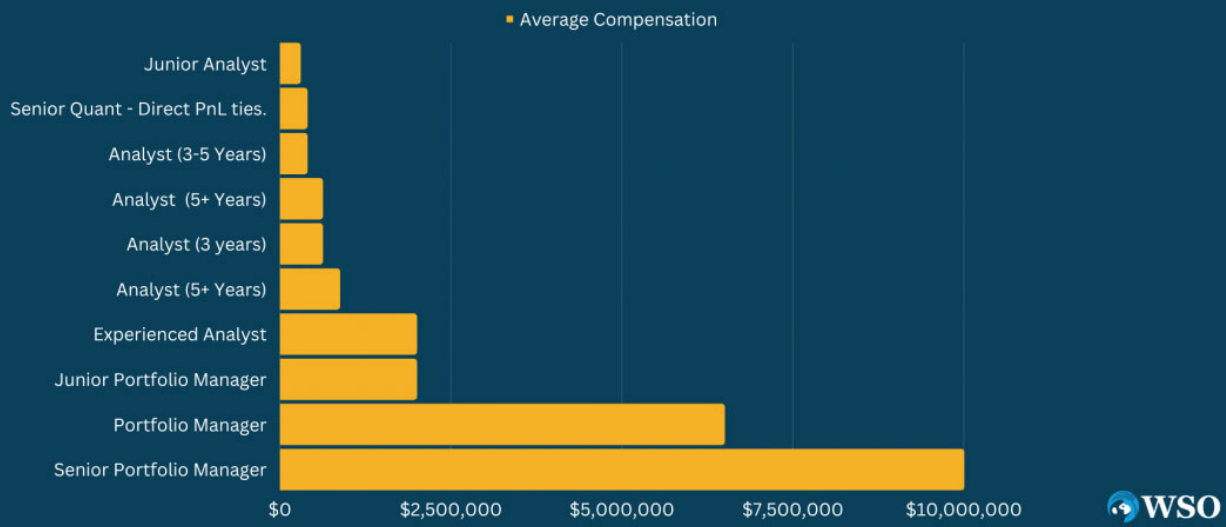
Total compensation	Title	Experience	Other notes by @rumplestiltskin
Up to \$300,000	Junior Analyst	0-2 years	No upside and bad attitude mean you're out the door.
\$300,000 - \$500,000	Senior Quant	-	Direct PnL ties.
\$300,000 - \$500,000	Analyst	3-5 years	Normal year. Normal contribution.
\$500,000 - \$750,000	Analyst	5+ years	Direct PnL ties.
\$500,000 -	Analyst	3 years	Great year. Significant contributions.

\$750,000			
\$750,000 - \$1,000,000	Analyst	5+ years	Significant contributions. Great year.
\$1,000,000 - \$3,000,000	Experienced Analyst	-	Big year.
\$1,000,000 - \$3,000,000	Junior Portfolio Manager	-	Decent year. Formulaic payout.
\$3,000,000 - \$10,000,000	Portfolio Manager	-	Average tenured PM without scale.
> \$10,000,000	Senior Portfolio Manager	-	Senior PM with scale and capable of putting up over \$50,000,000 net.

### Hedge Fund Pay Guide - Detailed

They also wrote that a hedge fund professional's experience can cap their bonus, but it is more about their contributions. They added that earning over \$1M means formulaic contributions and using strategies developed independently, which is not the firm's intellectual property.

# Hedge Fund Pay Guide



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## Hedge Fund Compensation By Roles

The purpose of differentiating between roles is to clearly define responsibilities and make operations more efficient to improve returns.

It is important to note that hedge funds have a smaller staff than investment banks and other pooled investment vehicles, so an official hierarchy is often lacking. As a result, there can be an overlap of responsibilities. Nonetheless, the roles can be divided into the front office, the middle office, and the back office.

### Front office

The front office drives revenue. Employees in the front office offer financial products to clients, identify research opportunities, make trades, and directly manage assets. Thus, they should be skilled at raising capital and identifying and investing in opportunities that earn the highest returns relative to the associated risk.

#### *Are You in the Front Office?*

*You are most likely in the front office if you generate revenue, research how to generate it, trade it, or actively manage it.*



### Execution Trader

An execution trader's routine tasks include placing orders per the Portfolio Manager's instructions, achieving "best execution," and minimizing market impact costs.

Because their job requires a different set of skills than that of Analysts' which involves investment research, it is more suitable for sales and trading (S&T) professionals. Even though their responsibilities increase as they move up the



ladder, their role largely remains the same. However, some funds offer a switch from trading roles to investing roles.

As they begin their career, they are likely to earn a total compensation of around \$100,000, with the bonus component averaging approximately 30% of the base salary. They can earn up to \$250,000 as they progress, with the bonus at about 50% of the base.

## Junior Analyst

The most common way into hedge funds is after a stint in banking or private equity. These funds tend to look for candidates who already have experience in finance and the necessary modeling skills; hence IB and PE associates tend to be heavily sought. However, it is not unheard of for new graduates to land a position at this level right after earning their bachelor's degree.

Please check out our guide on [Hedge Fund Interviews](#) for more information on getting through some of the toughest ones.

Since the lines between roles can be somewhat blurry, some funds may not have a separate title for Junior Analysts and club them with Analysts. They essentially perform the same tasks as Analysts – financial modeling, collecting data, monitoring open positions, and generating investment ideas – but enjoy lesser flexibility and independence, as the Analysts delegate tasks to them. Due to that, they have fewer interactions with Senior Analysts and Portfolio Managers.

### *Junior Analyst Salary - Hedge Fund*

*They can expect to earn a base salary of **\$70,000 to \$100,000** and a bonus ranging between **25% and 50%** of the base salary. Nevertheless, bonuses are discretionary and can even amount to **100% or more**.*



## Analyst



Often labeled as Investment Analyst or Research Analyst, this role is generally the first tangible step towards career progression in a hedge fund after working at an investment bank, a sales and trading (S&T) desk, or an equity research firm. Job candidates can expect to join the hedge fund industry at this level after having finished an MBA.

Although they share the same responsibilities as Junior Analysts, they have more independence to focus on longer-term projects or ideas and specific investment theses.

They can expect their base salary to start at about \$100,000 and increase to about \$150,000 over a few years. The volatile discretionary bonus averages around 50% but can go up to 100% of the base salary. Bonuses over 100% are not a myth but a rarity. Fund size and performance significantly influence these numbers.

### Senior Analyst

Analysts can get promoted to Senior Analyst in 3-4 years if they perform well. In some funds, a Senior Analyst may be called Sector Head or Director of Research.

They share some of the Analysts' responsibilities, but they often specialize in one strategy or industry. Further, they spend more time generating ideas and pitching them to the Portfolio Manager while delegating the number-crunching jobs to the Analysts.

#### Senior Analyst Salary - Hedge Fund

*They can initially have a base salary of **\$150,000**, which may go up to **\$250,000** as they gain experience. The discretionary bonus varies from 0% to 100% of the base in most cases and averages around **70%**. Some funds of considerable size may offer **bonuses of over 100%** to their top performers.*



### Portfolio Manager

The Portfolio Manager is responsible for raising the capital and managing it in a single-manager fund. In contrast, in a multi-manager fund, specific portions of the total assets under management (AUM) are allocated to managers. Irrespective of the number of managers in a fund, they monitor the portfolio and related risks, make final investment decisions, and supervise back-office operations.

Portfolio managers usually hold the top position in a hedge fund's hierarchy unless it is a much bigger multi-manager fund. Despite being at or close to the top in the order, they share some of the responsibilities of Analysts and Senior Analysts, like monitoring open positions, conducting due diligence, and generating investment ideas. Nonetheless, the scope of their duties is much broader.

### ***Portfolio Manager Compensation***

*WSO database indicates an average total compensation of about \$300,000*

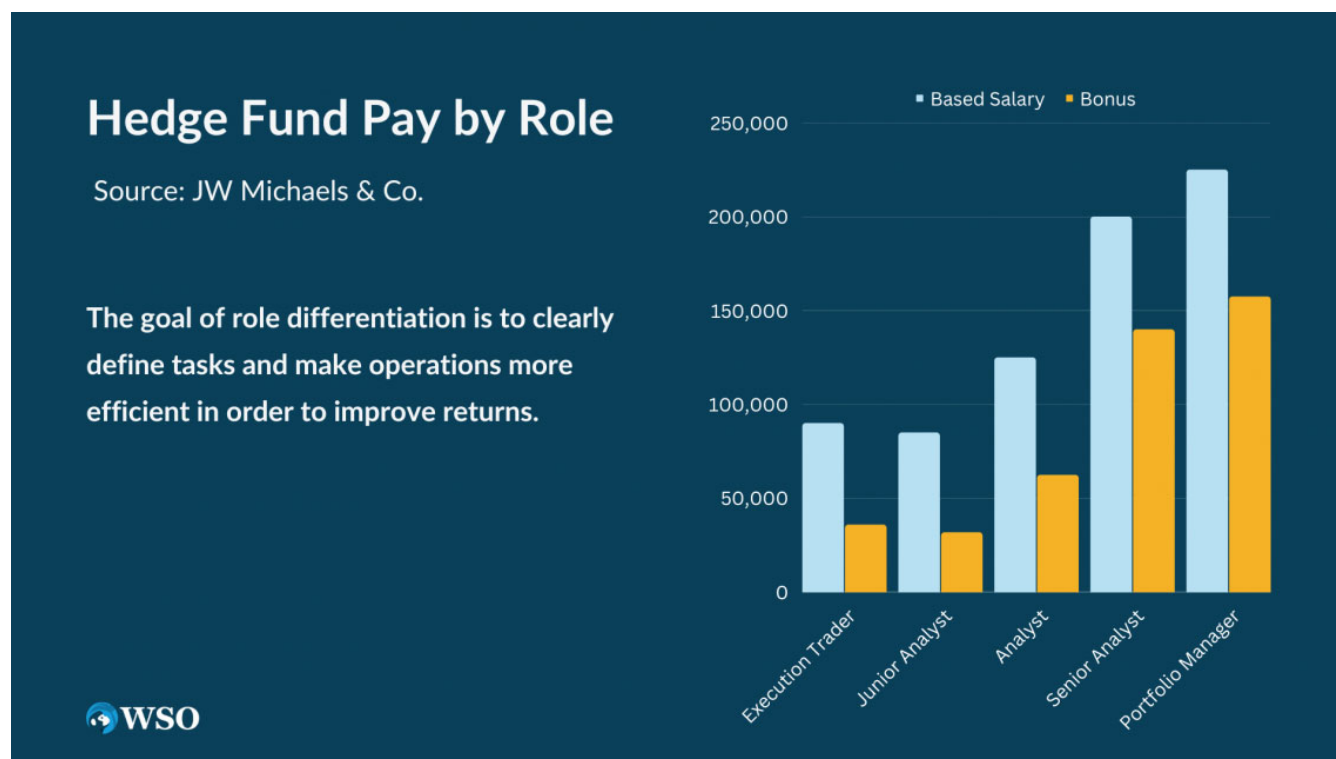


They must look at opportunities from a portfolio-wide perspective and consider hedging issues and size and risk constraints in the context of the entire portfolio. Moreover, they must also focus on net exposure and how to avert significant losses in the event of a market crash.

They are responsible for raising capital from Limited Partners (LPs) to grow the assets under management (AUM) since a larger AUM unlocks new opportunities. For this, they must market the fund and address any questions or concerns that prospective LPs might have.

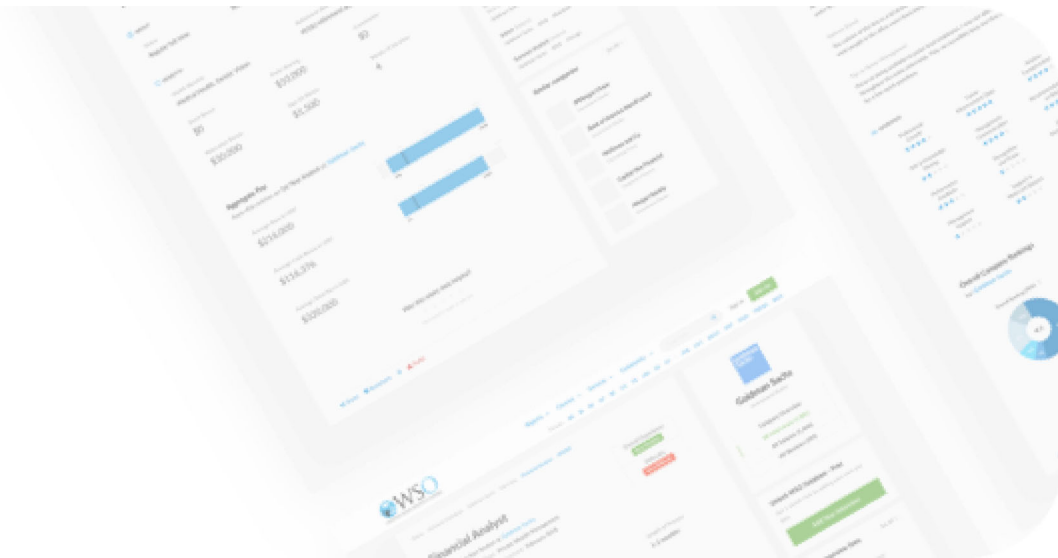
Because they hold considerable equity interests in the fund, their earnings are much higher than Analysts and Senior Analysts. However, their earnings vary more than that of Analysts and Senior Analysts. For example, the [WSO database](#) indicates an average total compensation of about \$300,000, while other sources state a median pay of around \$1 million, including bonuses. Notwithstanding, this largely depends on how a fund performs each year.

Here is a detailed article on what a [hedge fund manager](#) does and how to become one.



Role	Base Salary	Average Bonus (% of Base)
Execution Trader	\$80,000 - \$100,000	30% - 50%
Junior Analyst	\$70,000 - \$100,000	25% - 50% or more
Analyst	\$100,000 - \$150,000	50%+
Senior Analyst	\$150,000 - \$250,000	70%+
Portfolio Manager	\$200,000 - \$250,000	70%+

Hedge Fund Pay Guide by Roles



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## Middle Office and Back Office

Middle-office and back-office roles do not directly generate returns for the fund, and the line between the two is often not clear. However, they enable the front office to perform its duties. Further, smaller funds may club the roles of the middle office with the back office. Moreover, some of these functions may even be outsourced to service providers specializing in those services.

The middle office is generally in charge of managing risk and calculating gains and losses. In contrast, the back-office personnel handle the administrative and support functions, collectively termed "operations," and include clearances and settlements, compliance, record maintenance, accounting, and IT services.

Here we discuss some of the middle and back-office roles.

## Accounting

Accountants' primary job is to track the value of the investments and, thus, the fund. Their duties may also include performance reporting and verifying the accuracy of all figures.

The median salary for accountants working in hedge funds is given below. In addition, please check out this [detailed salary guide](#) for other accounting roles.

Role	National Median
Accounting Manager	\$90,000
Accountant, 3-5 Years' Experience	\$75,000
Accountant, 1-3 Years' Experience	\$53,500

Hedge Fund Accountants Pay guide - Source: [Robert Half](#)

Data from JW Michaels & Co. showed that while some accountants working at hedge funds earned in the low 100K's, others made over a million (mainly depending on their roles and titles). Please note that the higher ends of the compensation ranges apply to individuals wearing more than one hat.

Title	Compensation Range
Senior Accountant	\$115,000 - \$170,000
Senior Tax Manager	\$190,000 - \$335,000
Tax Associate	\$200,000 - \$250,000
Chief Finance Officer	\$800,000 - \$1,300,000

Hedge Fund Accountants Pay Guide - Source: [JW Michaels & Co.](#)

## Risk Analysis

Risk Analysts analyze the risk involved with various trades. Although they track individual transactions and formulate strategies to insure against risk, the latter is primarily the responsibility of Senior Risk Managers.

The ultimate responsibility to manage the risk of the entire portfolio is that of the Portfolio Manager, which gets more challenging as the fund grows. Hence, in funds with a larger AUM, Senior Risk Managers are hired to assess how the risk of each portfolio affects that of the other portfolios. Below, you can find the expected median salaries for Risk Analysts for 2022.

Role	National Median
Senior Risk Manager	\$127,250
Risk Analyst, 3-5 Years' Experience	\$94,250

Hedge Fund Risk Analyst Pay Guide - Source: Robert Half

Additional data from JW Michaels & Co. indicated that salaries in the Risk department for the year 2020 ranged from \$95,000 to \$325,000 depending on experience, title, and firm size.

Hedge Fund Size	Title	Compensation Range
Small-Medium (< \$5B AUM)	Quantitative Risk Analyst	\$95,000 - \$125,000
Risk Director		\$205,000 - \$250,000
Large (> \$5B AUM)	VP, Model Risk	\$175,000 - \$220,000
VP, Market Risk		\$300,000 - \$325,000

Hedge Fund Risk Analysts Pay Guide - Source: JW Michaels & Co.

## Compliance

Compliance is becoming an increasingly important aspect of the alternative investment universe, especially for hedge funds who are obligated to ensure compliance over various operational and investment areas – cybersecurity, conflict of interests, trade allocation, use of investment research, etc.

To meet various regulatory demands, hedge funds, service providers, and even investors employ compliance professionals to ensure that they meet these new regulatory requirements and keep pace with industry best practices.

JW Michaels & Co.'s Financial Services Market Data 2020 illustrates how much compliance professionals with various titles were paid at small-medium and large hedge funds.

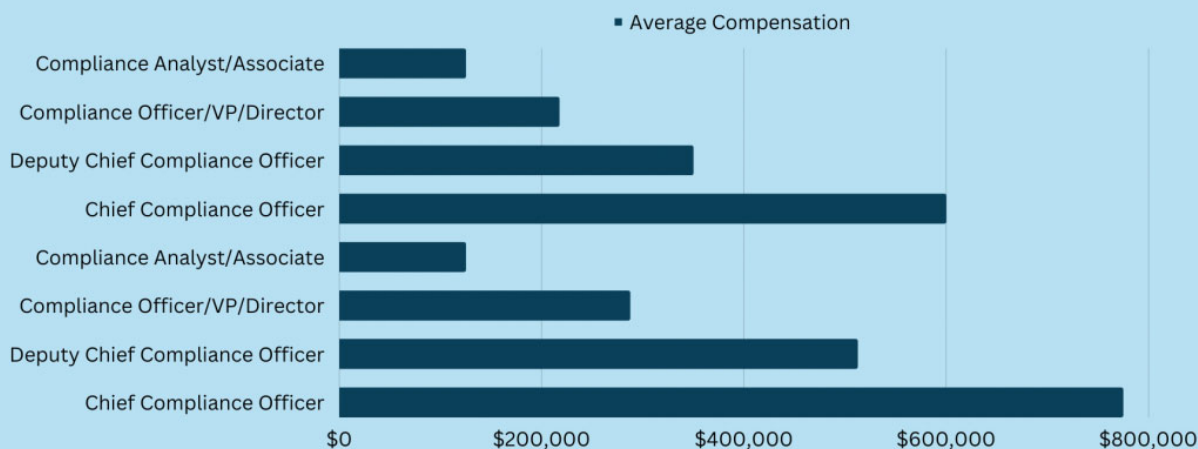
Hedge Fund Size	Title	Compensation Range
Small-Medium (< \$5B AUM)	Compliance Analyst/Associate	\$100,000 - \$150,000
	Compliance Officer/VP/Director	\$160,000 - \$275,000
	Deputy Chief Compliance Officer	\$250,000 - \$450,000
	Chief Compliance Officer	\$400,000 - \$800,000
Large (> \$5B AUM)	Compliance Analyst/Associate	\$100,000 - \$150,000
	Compliance Officer/VP/Director	\$250,000 - \$325,000
	Deputy Chief Compliance Officer	\$375,000 - \$650,000
	Chief Compliance Officer	\$650,000 - \$900,000

Hedge Fund Compliance Pay guide - Source: JW Michaels & Co.



# Hedge Fund Compliance Pay guide

Source: JW Michaels & Co.



## Legal

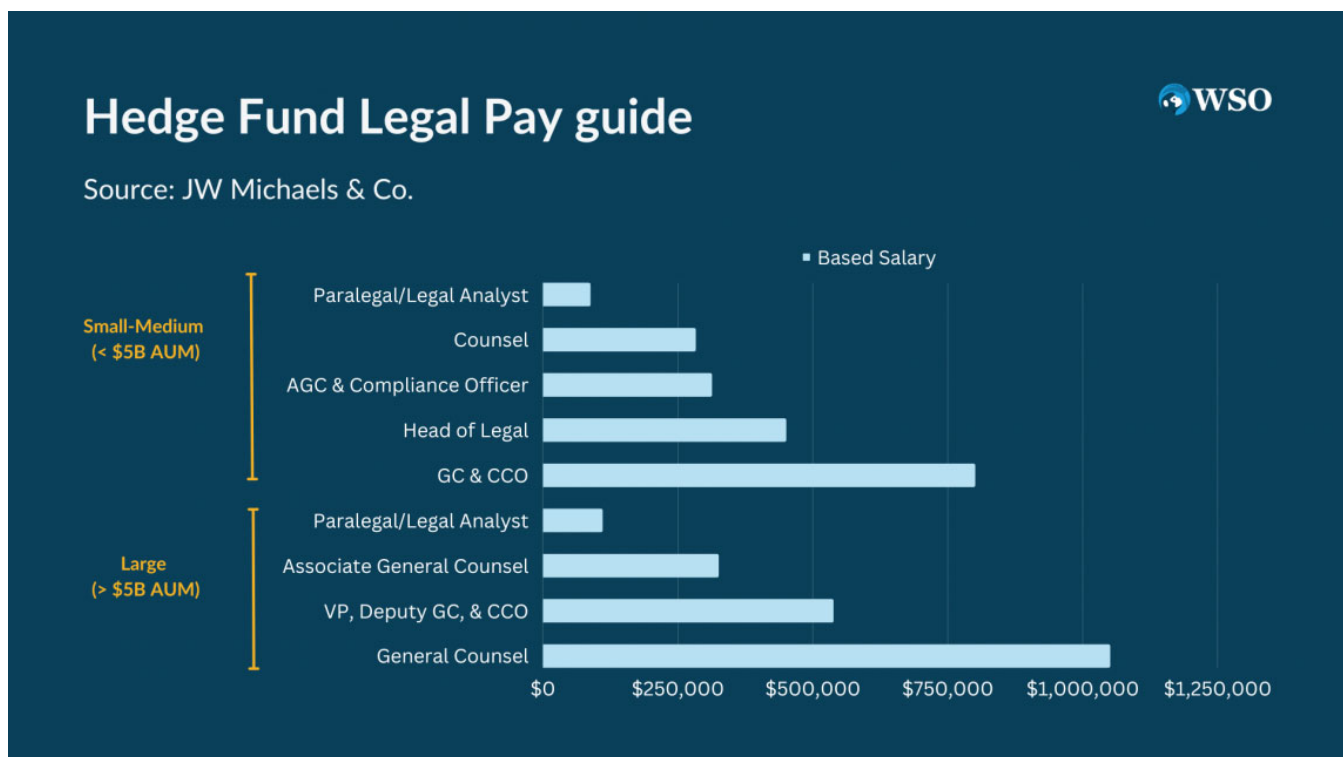
Legal professionals at hedge funds perform various functions ranging from fund formation to regulatory compliance and securities regulation, tax and real estate issues, and litigation and dispute resolution. Some directly work for hedge funds and law firms catering to the hedge fund industry. In contrast, others serve hedge fund investors like endowments, high net worth individuals, pension funds, and family trusts.

The data provided below by JW Michaels & Co. shows compensation ranges of those in the legal profession that served the hedge fund industry in 2020.

Hedge Fund Size	Title	Compensation Range
Small-Medium (< \$5B AUM)	Paralegal/Legal Analyst	\$80,000 - \$95,000
	Counsel	\$240,000 - \$325,000
	AGC & Compliance Officer	\$250,000 - \$375,000
	Head of Legal	\$400,000 - \$500,000

Large (> \$5B AUM)	GC & CCO	\$700,000 - \$900,000
	Paralegal/Legal Analyst	\$75,000 - \$145,000
	Associate General Counsel	\$200,000 - \$450,000
	VP, Deputy GC, & CCO	\$400,000 - \$675,000
	General Counsel	\$1,050,000+

Hedge Fund Legal Pay guide - Source: JW Michaels & Co.



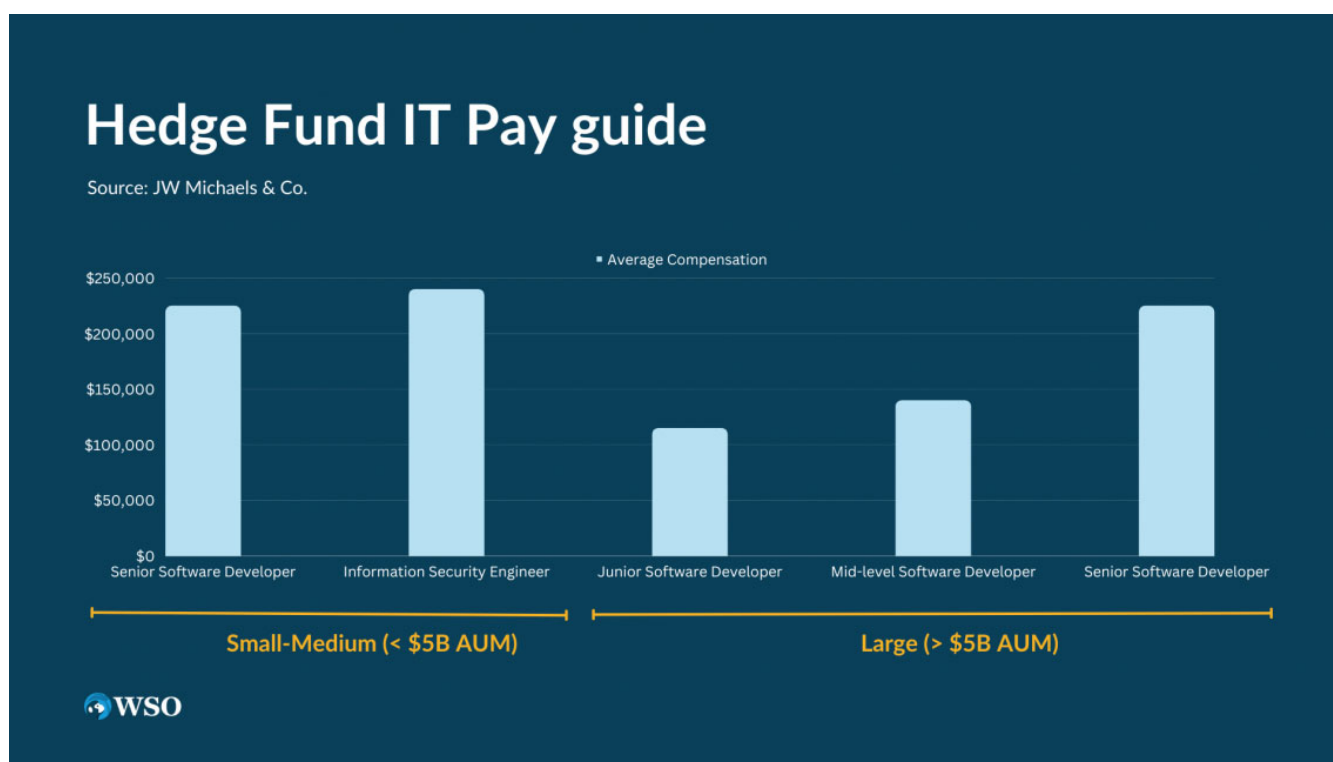
## Information Technology

IT professionals build the necessary software platforms and systems customized to various trading strategies and even individual traders. Support staff members must be a call away if systems break or don't behave as expected.

See the table below to find out how much they bagged in 2020.

Hedge Fund Size	Title	Compensation Range
Small-Medium (< \$5B AUM)	Senior Software Developer	\$150,000 - \$300,000
	Information Security Engineer	\$180,000 - \$300,000
Large (> \$5B AUM)	Junior Software Developer	\$100,000 - \$130,000
	Mid-level Software Developer	\$120,000 - \$160,000
	Senior Software Developer	\$150,000 - \$300,000

Hedge Fund IT Pay guide - Source: JW Michaels & Co.



### Other roles

The marketing team manages client services, investor relations, and fundraising activities. Effective marketing goes a long way in the success of investment pools, even for well-established funds with respectable managers.

Initially, entry-level employees are tasked with taking notes during meetings, assessing client needs, and acting as a point of contact (POC) for high-net-worth individuals (HNWI). Over their tenure, their responsibilities grow to include fundraising and related functions.

Client Service Representatives with little to no experience can earn between \$45,000 and \$60,000; those with 3 to 5 years of experience can earn between \$55,000 and \$75,000; those with over 5 years' experience can expect to earn between \$70,000 and \$100,000.

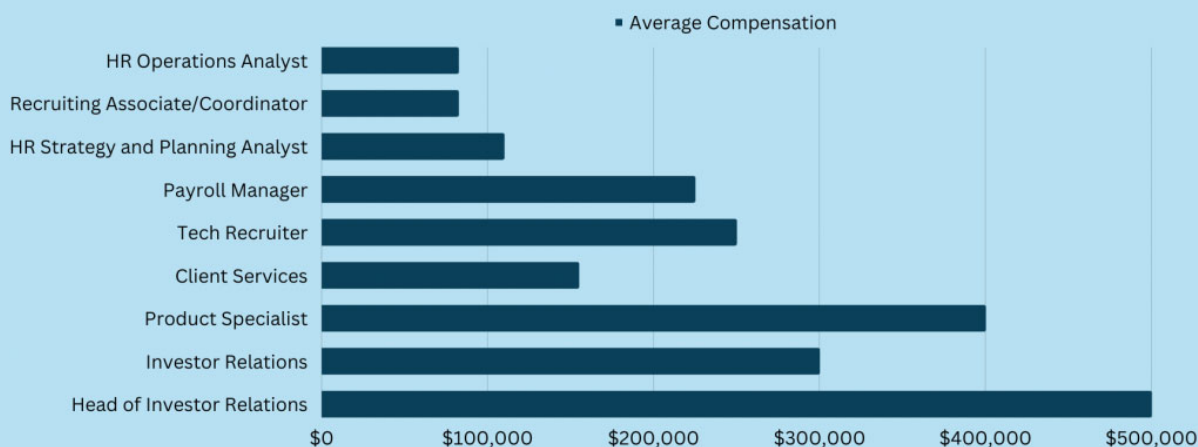
Average compensation ranges for other roles in hedge funds are given below.

<b>Title</b>	<b>Compensation Ranges</b>
HR Operations Analyst	\$70,000 - \$95,000
Recruiting Associate/Coordinator	\$70,000 - \$95,000
HR Strategy and Planning Analyst	\$95,000 - \$125,000
Payroll Manager	\$150,000 - \$300,000
Tech Recruiter	\$150,000 - \$350,000
Client Services	\$60,000 - \$250,000
Product Specialist	\$300,000 - \$500,000
Investor Relations	\$200,000 - \$400,000
Head of Investor Relations	\$400,000 - \$600,000

Hedge Fund Other Roles Pay guide - Source: JW Michaels & Co.

## Hedge Fund Other Roles Pay guide

Source: JW Michaels & Co.



## Hedge Fund Compensation By Fund Strategy

It is challenging to define compensation ranges based on fund strategy, as strategy and individual fund performance can significantly influence total compensation. So, we have put together a brief list of anecdotal compensations provided by WSO users for you.

Fund Strategy	Years of Experience	All - In Compensation
Equity	4	\$500,000
Equity	10+	\$950,000
Equity (Long/Short)	1 - 2	\$290,000
Equity (Long/Short)	2 - 4	\$475,000
Equity (Long/Short)	6	\$700,000
Event - Driven (Distressed/Specialist)	2 - 3	\$600,000
Event - Driven (Distressed/Specialist)	3 - 4	\$650,000

Event - Driven (Distressed/Specialist)	3 - 4	\$1,500,000
Event - Driven (Distressed/Specialist)	4 - 5	\$975,000
Relative Value	2 - 4	\$475,000

Hedge Fund Pay guide by Strategy - Source: [WSO Hedge Fund Forum](#)

## Hedge Fund Vs. Investment Banking Salaries

Compensations in the IB-PE-HF trio are highly relative. If IB raises the bar, HF and PE stay competitive by following suit.

HF's typically seek IB analysts with 2-4 years of experience. In the current environment, an IB analyst with some experience can expect a base salary of \$100,000-\$200,000 depending on their experience with about 50% of the same amount in bonus. This is for analysts working in bulge bracket investment banking. Middle-market analysts would take home slightly less.

Those are decent figures for someone with 2 years of experience out of school. But you must be highly motivated to do better, which is why you wish to learn more about the HF and PE industries. To further help you jump ships, HF salaries tend to be slightly higher than IB. HF analysts at decent funds can expect to take home \$110,000 to \$120,000 in base salary with up to a 100% bonus.

Besides the differences in compensations, the work is different. Investing is more intellectually stimulating and comes with more responsibility. Furthermore, HF offer more upside in the later years as you climb up the ladder. You can expect faster salary bumps in HF than in IB since you get paid for your performance.

Please check out our [Investment Banker salary guide](#) to know more about compensations in that industry.

## Hedge Fund Vs. Private Equity Salaries

Overall, hedge funds' compensations are higher but vary more than in PE. The differences between HF and PE compensations at the initial levels are insignificant.

However, the gaps grow as we move up the ladder. At the top levels, a hedge fund [portfolio manager](#) who has a great year could easily earn more than a [managing director](#) in private equity – depending on the fund size and structure.

Please check out our [Private Equity salary guide](#) to know more about compensations in that industry.

## Frequently Asked Questions (FAQs)

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**What is the difference between base salary and bonus?**

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**Does the pay differ by region?**

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**Million-dollar compensations: myth or reality?**

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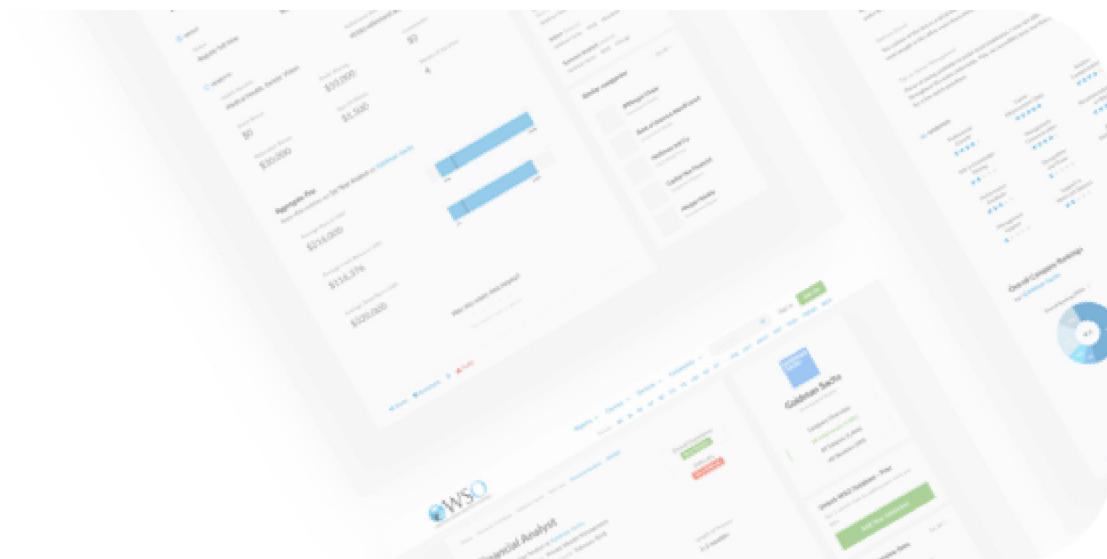
**How can I get rich working at a hedge fund?**

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**How much can I expect to earn coming out of undergrad school?**

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**Do bigger funds pay more?**





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## Additional Resources

Thanks for reading our salary guide! Please check out the following additional resources to help you advance your career:

- [Investment Banker Salary](#)
- [Private Equity Salary Guide](#)
- [CFA® Salary Guide](#)
- [Financial Modeling Salary Guide](#)
- [Venture Capital Salary Guide](#)

About this content

**Andy Yan** is a member of [WSO Editorial Board](#) which helps ensure the accuracy of content across top articles on Wall Street Oasis. Before deciding to pursue his MBA, Andy previously spent two years at Credit Suisse in Investment Banking. This content was originally created by member [WallStreetOasis.com](#) and has evolved with the help of our mentors.

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